



Canada ABCP investors say still not satisfied

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Broker Canaccord Capital Inc unveiled an offer on Wednesday that benefits its small retail clients and was expected to dissuade them from scuppering a plan to restructure about C\$32 billion (\$31 billion) in nonbank ABCP when they vote on the plan on April 25.

The vast majority of the 1,800 retail investors in the nonbank ABCP are Canaccord clients. The brokerage agreed to repurchase most of its clients' ABCP at par value on the condition that the broader restructuring plan -- crafted after months of negotiations by a special committee headed by corporate lawyer Purdy Crawford -- is approved in the vote.

Canaccord's offer only applies to those clients holding less than C\$1 million worth of the product, which the company said was 97 percent of its customers with ABCP.

But Diane Urquhart, an independent financial analyst representing 1,800 retail investors holding C\$350 million worth of nonbank ABCP, said the offer was insufficient.

"This problem has not been resolved yesterday despite the positive press coverage. The offer is incomplete. Only some families are being paid, numerous families have been left out," she told the House of Commons finance committee.

Urquhart said about 400 investors -- including non-Canaccord clients and Canaccord clients owning more than C\$1 million in ABCP -- would still have to wait years to get their money back and were unlikely to get it all, under the terms of the restructuring plan.

Wynne Miles, a Canaccord client, said the deal does not remove one of the biggest sticking points -- a clause in the Crawford plan that shields all ABCP market participants from potential lawsuits. "The requirement we waive our rights to sue is completely unacceptable. We have been wronged."

PLEA FOR HELP

The committee heard from six people, whose testimony ranged from emotional pleas for help in recovering life savings to accusations that brokers "duped" small investors into buying what they knew was a dodgy asset.

Murray Candlish, a semi-retired farmer with life savings worth C\$350,000 in nonbank ABCP, is one of about 335 clients of Credential Securities who are still waiting to see if they will get a Canaccord-style offer.

Candlish said he was repeatedly told by his investment advisor not to worry about the ABCP. Even when the market collapsed last August, he was told "everything would be fine."

"Here we are in April 2008 and we know that everything is not fine ... All of our dreams are slowly disappearing as the value of our savings erodes."

That kind of advice has led some investors to prepare lawsuits and talk of "criminal negligence" by brokers.

"It is my belief that the ABCP was sold in the Canadian market unlawfully and that it should have been sold with prospectus," said Urquhart. She referred to 2002 Standard & Poor's report that said all 20 trusts involved in the nonbank ABCP market were below investment grade.

Urquhart said the April 25 vote must be postponed to allow investors to make their cases in court. She is advising law firm Juroviesky and Ricci LLP, which she said would be entering a case in an Ontario court next week.

But in the long run, the investors said legislation governing securities regulators and banks needed to be amended to protect consumers.

"We want to know why the provincial and federal governments did not prevent sale of these faulty savings products ... It's not acceptable to treat people like this and it should not be allowed to happen again," Miles said.

(\$1=\$1.02 Canadian)

(Reporting by Louise Egan; Editing by Peter Galloway)

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